Crane Elementary School District

Performance Audit

District improperly spent more than $164,000 on employee fringe benefits and food and beverages for District events without ensuring compliance with various State requirements, and provided catering services without statutory authority. Additionally, the District failed to monitor and address potentially disadvantageous solar energy contracts, which may have cost the District more than $400,000 in excess electricity costs, and it had deficiencies related to purchasing cards, cash handling, supplies and property, transportation, and IT security.

Audit purpose

To assess the District's efficiency and effectiveness in 4 operational areas—administration, plant operations and maintenance, food service, and transportation—and its compliance with certain State requirements.

Key findings

- District provided more than $156,000 in unauthorized fringe benefits to employees in the form of retirement or longevity bonuses, cell phone allowances, and personal vehicle use to employees, potentially violating the State Constitution's gift clause and/or incurring tax or other financial liabilities. It also spent nearly $8,500 on food and beverages for District events without ensuring each of the purchases had required Board approval and complied with other statutory requirements.

- District operated catering services for its staff and the public at 64 events in fiscal year 2025 without the statutory authority to do so and without separately tracking its catering costs, increasing the risk that it may have used public monies intended for student meals.

- In 2012, the District entered into 25-year guaranteed energy cost savings contracts with a vendor to install and use solar panels at 8 of 10 District school sites, but the District did not ensure its solar vendor complied with contractual cost savings obligations. Additionally, the District did not act to address disadvantageous contract terms that may have added an estimated $400,000 to its electricity costs since 2018.

- District likely has more purchasing cards and authorized users than necessary for operations, did not always separate purchasing card responsibilities, and did not establish effective controls over purchasing card use, increasing the risk of unauthorized purchases, errors, and fraud. Additionally, the District allows employees to use purchasing cards to exceed State maximum allowable travel costs, increasing the risk of loss, theft, or waste.

- District had internal controls deficiencies that included cash-handling procedures that did not meet USFR requirements, unmonitored fuel supply access and District vehicle use, insufficient building access controls, and poorly documented school bus preventative maintenance.
- District did not safeguard IT systems in accordance with USFR requirements and credible industry standards as it lacked adequate authentication controls and procedures to limit IT system access, remove unnecessary IT accounts, and monitor system activity.

Key recommendations to the District

- Ensure that all salaries and benefits provided to employees are properly approved and documented, and address, as necessary, any resulting Arizona State Retirement System or tax liabilities and/or potential gift clause violations resulting from past payments.
- Obtain advance Board approval for all food and beverage purchases associated with District events in accordance with State laws, the gift clause, and other requirements, which includes determining and documenting that funding sources used are appropriate and how each purchase benefits the District and serves a public purpose.
- Determine whether the District has statutory authority to offer catering services, and if so, document its statutory authority and the funding source used, separately account for catering expenses, ensure revenues from statutorily authorized catering events cover all related costs, and ensure any purchases are an allowable use of the funding source.
- Obtain historical reports required by contracts and State statute, determine whether the solar vendor owes the District reimbursement for any shortfalls of guaranteed cost savings, and collect any reimbursement monies owed. If the District determines any of its solar contracts are disadvantageous, determine what options may be available to the District to address the disadvantageous contracts.
- Establish and implement contract monitoring and oversight procedures to ensure its solar vendor provides required reports to the District as required by its contracts and statute.
- Minimize the number of purchase cards and authorized users and establish controls to separate responsibilities for purchasing cards, require annual user agreements, and ensure that travel expenses charged to the cards do not exceed maximum allowable reimbursement rates.
- Develop and implement internal controls to address deficiencies related to cash handling, District fuel and vehicle use, building access, and school bus preventative maintenance.
- Improve controls over IT systems and functions by implementing and enforcing strong authentication controls; ensuring network and accounting system access, including by third-party vendors, is necessary and appropriate; and monitoring accounting system activities.